

**REPORT OF THE AUDIT OF THE  
MCCRACKEN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2009**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MCCRACKEN COUNTY CLERK**

**For The Year Ended  
December 31, 2009**

The Auditor of Public Accounts has completed the McCracken County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$1,735 from the prior year, resulting in excess fees of \$229,924 as of December 31, 2009. Revenues decreased by \$1,076,275 from the prior year and expenditures decreased by \$1,078,010.

#### **Report Comments:**

2009-01 County Clerk Should Have Personnel Policies In Writing  
2009-02 County Clerk Should Maintain Proper Documentation Of Hours Worked

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Van Newberry, McCracken County Judge/Executive  
The Honorable Jeff Jerrell, McCracken County Clerk  
Members of the McCracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of McCracken County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2010 on our consideration of the McCracken County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Van Newberry, McCracken County Judge/Executive  
The Honorable Jeff Jerrell, McCracken County Clerk  
Members of the McCracken County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

2009-01 County Clerk Should Have Personnel Policies In Writing  
2009-02 County Clerk Should Maintain Proper Documentation Of Hours Worked

This report is intended solely for the information and use of the County Clerk and Fiscal Court of McCracken County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

July 6, 2010



MCCRACKEN COUNTY  
JEFF JERRELL, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Insurance Reimbursement	\$	22,857	
State Fees For Services			22,193
Fiscal Court			109,170
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,092,588	
Usage Tax		7,149,565	
Tangible Personal Property Tax		5,560,496	
Other-			
Fish and Game Licenses		4,098	
Marriage Licenses		26,554	
Beer and Liquor Licenses		8,014	
Deed Transfer Tax		164,592	
Delinquent Tax		1,399,829	
			16,405,736
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		54,726	
Real Estate Mortgages		144,655	
Chattel Mortgages and Financing Statements		147,920	
Powers of Attorney		5,125	
All Other Recordings		109,514	
Charges for Other Services-			
Candidate Filing Fees		720	
Copywork		19,666	
Notary Fees		8,113	
			490,439
Other:			
Drug Council Money		1,962	
Service Charges		1,330	
Miscellaneous		22,644	
Postage		10,660	
			36,596
Interest Earned			1,038
Total Revenues			17,088,029

The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY  
 JEFF JERRELL, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,412,756

Usage Tax 6,934,536

Tangible Personal Property Tax 1,764,612

Licenses, Taxes, and Fees-

Fish and Game Licenses 3,950

Marriage Licenses 2,507

Delinquent Tax 245,651

Legal Process Tax 36,132

Spouse Abuse 7,540

Housing Trust Fund 87,996

Libraries & Archives 13,432 \$ 10,509,112

Payments to Fiscal Court:

Tangible Personal Property Tax 446,643

Delinquent Tax 144,629

Deed Transfer Tax 156,363

Beer and Liquor Licenses 8,000 755,635

Payments to Other Districts:

Tangible Personal Property Tax 3,098,450

Delinquent Tax 698,657 3,797,107

Payments to Sheriff

7,324

Payments to County Attorney

191,586

Payments to Drug Council

1,864

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 1,024,635

Part-Time Salaries 9,100

Employee Benefits-

Employer's Share Social Security 79,319

Employer's Paid Health Insurance 271,289

The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY  
 JEFF JERRELL, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Contracted Services-			
Advertising	\$	2,017	
Materials and Supplies-			
Office Supplies		80,489	
Other Charges-			
Conventions and Travel		691	
Dues		2,780	
Postage		18,762	
Election Expense		320	
Bad Debt Expense		3,094	
Bank Charges		597	
			\$ 1,493,093
Total Expenditures			<u>\$ 16,755,721</u>
Net Revenues			332,308
Less: Statutory Maximum			<u>95,256</u>
Excess Fees			237,052
Less: Expense Allowance		3,600	
Training Incentive Benefit		3,528	<u>7,128</u>
Excess Fees Due County for 2009			229,924
Payment to Fiscal Court - March 3, 2010			<u>229,819</u>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 105</u>

The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The McCracken County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The McCracken County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Van Newberry, McCracken County Judge/Executive  
The Honorable Jeff Jerrell, McCracken County Clerk  
Members of the McCracken County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the McCracken County Clerk for the year ended December 31, 2009, and have issued our report thereon dated July 6, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCracken County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the McCracken County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as 2009-01 and 2009-02.

The McCracken County Clerk's responses to the findings identified in our audit are described in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the McCracken County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

July 6, 2010

## COMMENTS AND RECOMMENDATIONS



MCCRACKEN COUNTY  
JEFF JERRELL, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2009

STATE LAWS AND REGULATIONS

2009-01     County Clerk Should Have Personnel Policies In Writing

The McCracken County Clerk allows his employees certain benefits that are not included in any written personnel policy and differ significantly from the county and the state's personnel policies. The clerk allows seven days of paid holiday leave to his employees in addition to the thirteen paid holidays given to other county employees, totaling twenty days per year. In comparison, state employees receive eleven and one-half paid holidays. The clerk states that he allowed these additional holidays in exchange for not paying overtime or accruing compensatory time. The clerk also allowed up to six weeks of maternity/surgical leave without deducting from the employees sick leave balances. Neither the county nor the state's personnel policies allow use of sick leave without deducting the hours used from the employee's sick leave balances. The County Clerk's procedures are excessive when compared to the county and state policies.

We recommend the County Clerk either adopt the county's personnel policy in its entirety, or prepare separate personnel policies for his office. If the clerk prepares his own policies, he should review them for reasonableness, put them in writing, and communicate them to all employees. The County Clerk must also make sure that the policies in place for his office do not violate any statutes, such as not paying overtime for any hours worked over 40 hours in a given work week.

*County Clerk's Response: The County Clerk's office has adopted the McCracken County policies and procedures ordinance in its entirety.*

2009-02     County Clerk Should Maintain Proper Documentation Of Hours Worked

The employees in the McCracken County Clerk's office keep daily attendance records; however, we noted the following problems with the attendance records:

- The records only show a check mark on the days employees are at work, but not the number of hours worked each day.
- The records are initialed by the employee, but do not have a supervisor signature.

KRS 337.320(1)(b) states that every employer shall keep a record of the hours worked each day, and each week, by each employee. KRS 337.285 states that no employer shall employ any of his employees for a work week longer than 40 hours, unless such employee receives compensation for his employment in excess of 40 hours in a work week at a rate of not less than one and one-half times the hourly wage at which he is employed. KRS 337.285 applies to any employee that meets the criteria for being non-exempt from the overtime provisions of the Fair Labor Standards Act. These records should be signed by the employee and the supervisor to show agreement upon the number of hours worked each day.

Failure to keep a detailed record of the number of hours worked each day, by each employee, will result in the official not being in compliance with KRS 337.320. It also leaves the official in jeopardy of not paying overtime for any hours worked in excess of 40 hours in a given week for eligible employees.

MCCRACKEN COUNTY  
JEFF JERRELL, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2009  
(Continued)

STATE LAWS AND REGULATIONS (Continued)

2009-02     County Clerk Should Maintain Proper Documentation Of Hours Worked (Continued)

We recommend the County Clerk implement a daily attendance record that records actual hours worked by each employee, each day that will then be signed by the employee as well as the supervisor. Also, the County Clerk should determine which employees meet the criteria for being non-exempt by working with the County Attorney and the Kentucky Labor Cabinet.

*County Clerk's Response: After conferring with the County Attorney we have decided to go to a time clock system which will keep a detailed record of actual hours worked. The records will then be signed not only by the employee but by the supervisor as well.*

